

Message Text

LIMITED OFFICIAL USE

PAGE 01 OTTAWA 00741 282322Z

21

ACTION EUR-12

INFO OCT-01 ISO-00 COME-00 TRSE-00 OMB-01 CIEP-01 EB-07

TAR-01 CIAE-00 DODE-00 INR-07 NSAE-00 PA-01 USIA-06

PRS-01 SP-02 L-02 H-01 /043 W

----- 103889

R 282250Z FEB 75

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 5776

LIMITED OFFICIAL USE OTTAWA 0741

E.O. 11652: N/A

TAGS: EFIN, SCUL, CA

SUBJECT: TIME-READER'S DIGEST TAX CHANGES

POUCHED TO ALL CONSULS IN CANADA

REF: OTTAWA 690

1. FOLLOWING IS TEXT OF CANADIAN PRESS ARTICLE FROM FEB. 28 TORONTO GLOBE AND MAIL ENTITLED "OTTAWA DETERMINED TO CARRY ON WITH MAGAZINE TAX LAW CHANGES"; BEGIN TEXT. TAX LEGISLATION TO BE INTRODUCED WITHIN A FEW WEEKS WILL MAKE IT "EXTREMELY DIFFICULT" FOR THE CANADIAN EDITIONS OF TIME MAGAZINE AND READER'S DIGEST TO CONTINUE PUBLISHING, SECRETARY OF STATE HUGH FAULKNER SAYS.

BOTH U.S.-OWNED MAGAZINES WILL FACE A SERIES OF STRINGENT OWNERSHIP, LICENSING, AND CONTENT REQUIREMENTS THAT WILL ALMOST CERTAINLY PROVE UNACCEPTABLE TO THEIR PUBLISHERS. MR. FAULKNER SAID.

HE SAID THE GOVERNMENT IS DETERMINED TO PRESS ON WITH LEGISLATION TO ELIMINATE SPECIAL TAX STATUS FOR TIME AND READER'S DIGEST ADVERTISERS DESPITE A "MASSIVE LOBBY" BY THE PUBLISHERS TO SWAY PUBLIC OPINION AGAINST THE MOVE.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 OTTAWA 00741 282322Z

THE IMPENDING LEGISLATION WILL HIT HARD AT PUBLISHERS'

HOPES OF HAVING CANADIAN EDITIONS OF THE TWO MAGAZINES QUALIFY AS DOMESTIC PUBLICATIONS WHOSE ADVERTISERS CAN CONTINUE CLAIMING TAX DEDUCTIONS FOR ADVERTISING COSTS, MR. FAULKNER SAID.

BOTH PUBLICATIONS WILL HAVE TROUBLE MEETING THE INDEPENDENT CANADIAN OWNERSHIP, CONTROL AND CONTENT REQUIREMENTS, HE SAID, BUT TIME'S CANADIAN EDITION WILL BE EXPECIALLY VULNERABLE BECAUSE IT IMPORTS LARGE AMOUNTS OF NEWS CONTENT DIRECTLY FROM THE U.S. PARENT COMPANY, TIME INC. OF NEW YORK. AT THE SAME TIME IT POSES AS A CANADIAN PRODUCT," HE SAID.

READER'S DIGEST FACES DIFFERENT PROBLEMS BECAUSE OF THE LICENSING AGREEMENT WHICH REQUIRES OUT-OF-COUNTRY APPROVAL OF EDITORIAL CONTENT IN THE CANADIAN EDITION, HE SAID.

THE EFFECT OF THE LEGISLATION WILL BE TO "GET RID OF TIME" BUT THAT THE MAIN AIM IS TO "ELIMINATE EXCEPTIONS IN THE TAX LAW SO THAT CANADIAN MAGAZINES WILL HAVE THE MAXIMUM IMPACT" IN ATTRACTING ADVERTISING REVENUE. END TEXT.

2. COMMENT. AN OFFICIAL IN THE IMMEDIATE OFFICE OF THE SECRETARY OF STATE HAS ADVISED THAT THE SOURCE OF THIS ARTICLE WAS A WIDE-RANGING INTERVIEW GIVEN THE CANADIAN PRESS BY MR. FAULKNER. THE ARTICLE WAS DESCRIBED AS ACCURATE SO FAR AS IT WENT, BUT IT DID NOT COVER ALL THE POINTS MADE BY MR. FAULKNER. HOWEVER, THIS OFFICIAL DENIED THAT THE SECRETARY HAD USED THE EXPRESSION IN THE LAST PARAGRAPH, "TO RID OF TIME", AT ANY TIME DURING THE INTERVIEW.

3. ACCORDING TO THIS OFFICIAL, THE SECRETARY HAS BEEN CONCERNED BY THE VOLUME OF ADVERSE CRITICISM WHICH IS SUGGESTING THAT TIME AND READER'S DIGEST WILL NOT CONTINUE TO BE AVAILABLE TO CANADIANS. HE WISHED TO POINT OUT THAT THEY CAN SO CONTINUE EITHER BY SUBSCRIPTION FROM THE U.S. OR BY THE ADAPTATION OF THE OWNERS TO NEW SITUATION. HE ALSO WANTED TO CLARIFY THE CANADIAN CONTROL POINTS MADE BY MR. BASFORD TO THE CP EARLIER (SEE OTTAWA 644) BY POINTING OUT THAT LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 OTTAWA 00741 282322Z

IT WAS EDITORIAL CONTROL THAT COUNTED NOT THE ORIGIN OR SUBJECT OF THE WRITING. THE TORONTO GLOBE AND MAIL, HE POINTED OUT, HAS A HIGH PERCENTAGE OF SPACE DEVOTED TO ARTICLES ORIGINATING ABROAD BUT IT NEVERTHELESS IS CANADIAN CONTROLLED SINCE IT IS CANADIAN EDITORS RESPONSIBLE TO CANADIAN OWNERS WHO MAKE THE DECISIONS AS TO WHAT MATERIAL WILL BE USED. FINALLY, THE SECRETARY WANTED TO COUNTER THE

CAMPAIGN BEING UNDERTAKEN BY THE READER'S DIGEST
TO STIMULATE MASS MAILINGS TO M.P.'S OF ALL PARTIES
ASKING THEM TO OPPOSE THE GOC'S DECISION. THIS
OFFICIAL AGREED THAT THESE PURPOSES WERE INADEQUATELY
MET BY THE CP ARTICLE AS PUBLISHED IN THE FEBRUARY 28
GLOBE AND MAIL.
PORTER

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TAX LAW, PUBLICATIONS, FOREIGN INVESTMENTS, TAX REFORMS
Control Number: n/a
Copy: SINGLE
Draft Date: 28 FEB 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MorefiRH
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975OTTAWA00741
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750072-0344
From: OTTAWA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t1975023/aaaaabyc.tel
Line Count: 122
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 OTTAWA 690
Review Action: RELEASED, APPROVED
Review Authority: MorefiRH
Review Comment: n/a
Review Content Flags:
Review Date: 05 MAY 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <05 MAY 2003 by CunninFX>; APPROVED <19 MAY 2003 by MorefiRH>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: TIME-READER'S DIGEST TAX CHANGES POUCHED TO ALL CONSULS IN CANADA
TAGS: EFIN, SCUL, CA, US, TIME, READERS DIGEST
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006